SUPREME COURT, U. S.

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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1973

**No. 73-1529**

THE GENERAL TIRE & RUBBER COMPANY,
*Petitioner,*

*vs.*

THE FIRESTONE TIRE & RUBBER COMPANY,
*Respondent.*

## PETITION FOR REHEARING ON ORDER DENYING CERTIORARI

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## PETITION FOR REHEARING ON ORDER DENYING CERTIORARI.

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The General Tire & Rubber Company requests that the Court grant a rehearing on its June 3, 1974 denial of General's petition for writ of certiorari.

That petition presented two issues: respondent Firestone's fraud on the federal courts, found by the District Court, but vacated *without review* by the Sixth Circuit; and Firestone's claim, under General's Research Contract with the Government, to a free license to use General's patent, denied by the District Court, but granted by the Sixth Circuit.

### The Fraud Issue.

The Cleveland District Court granted General's motion to dismiss Firestone's complaint for unclean hands, finding that prior to the Fourth Circuit's transfer of this case to Cleveland from Baltimore Firestone had made "false" representations to

the Baltimore court; had perpetrated a "sham" on that court; and had committed acts which constituted an "extremely serious" fraud on that court. (349 F. Supp. 333; App. 71a-75a.)

The Cleveland court based its findings on a tape recording of a conversation between Firestone's counsel and the other party to the fraud which set up the sham; on representations made to the Fourth Circuit by Firestone's counsel unsuccessfully attempting to explain the sham disclosed by the taped conversation;[1] on various representations made to the Baltimore court by Firestone in carrying out the sham; on false interrogatory answers; and on various exhibits, including memoranda and transcripts of meetings and conversations.

The Cleveland decision was in accord with the unanimous, *en banc* decision of the Fourth Circuit, which had transferred the case to Cleveland, on *mandamus*, stating that it was not "denigrating the importance of these [fraud] issues in the ultimate assessment of costs between the parties." (373 F. 2d 361, 368; App. 275a.) The Fourth Circuit's statement could only mean that it contemplated a presentation of the fraud issue to the court in Cleveland.

In an unjudicial expression of raw power, the Sixth Circuit denied any review of the Cleveland fraud decision and denied the Fourth Circuit even a nod in the direction of comity.[2] It merely stated that the Baltimore court had not found fraud and that the Cleveland court, "before whom the alleged fraud was not practiced, should not have proceeded to determine such charges." (489 F. 2d 1105, 1124; App. 37a-38a.)

There is no legal basis for the Sixth Circuit's conduct. The findings of the Baltimore court, made in support of its decision

1. General had unsuccessfully urged the Baltimore court to make the inquiry eventually made by the Fourth Circuit at oral argument.

2. Unless this Court exercises its supervisory responsibility over the circuit courts, it is to be expected that this type of unjudicial conduct will flourish. See *Blohm & Voss AG* v. *Prudential-Grace Lines, Inc.*, No. 73-1893, now before this Court on petition for certiorari.

denying transfer of the case to Cleveland, were not *res judicata,* nor were they "law of the case" because that court's decision was *reversed* and the accompanying order *vacated* by the Fourth Circuit when it transferred the case to Cleveland. (App. 280a.)

The Cleveland court had the discretion to reconsider the fraud issue in response to General's motion to dismiss, and in this case had the *duty* to do so in view of the Fourth Circuit's opinion and in view of the amplified record presented to the Cleveland court on the key telephone conversation which set up the fraud.

The Sixth Circuit not only refused to review the Cleveland fraud decision; it denied *any* review of the fraud issue, either as determined by the Cleveland or the Baltimore court.

If the Cleveland court had refused to reconsider the fraud issue; had held that the Baltimore findings should be the law of the case even though made in support of a reversed decision; and had accordingly denied General's motion to dismiss, General would have been entitled to an appellate review in the Sixth Circuit of the Baltimore findings. Certainly General should not be placed in a worse position because it won below on this issue than it would have been had it lost.

The Sixth Circuit owed the duty to pass on the *merits* of General's motion to dismiss and in so doing to review the fraud findings underlying that motion—if not those of the Cleveland court, at least those of the Baltimore court.

More than General's rights are at stake here. This case presents an abdication by a circuit panel of its duty to review, and a total disregard by that panel of the *en banc* decision of a sister circuit court. An abdication by the federal judiciary of the duty to act on this issue of fraud on the courts brings as much discredit to the system as if the district court in Washington had been content to let the Watergate affair stand as a simple burglary.

The fraud in this case, brought to light only by the finding of a secreted tape recording among the effects of a deceased participant, is a direct attack on the judicial system. It seems inconceivable to us that the Sixth Circuit and this Court should deny review of a finding that such an invasion has taken place.

The transcript of the tape recording was set out in the opinion of the Fourth Circuit. (App. 272a-274a.) The original tape was in good condition when it was left with the Fourth Circuit after oral argument, but it was a mechanical recording subject to being "worn out" by repeated playing, and when General examined the tape after transfer from the Fourth Circuit, it was found to be largely unintelligible. When the petition for certiorari was submitted, General's copy of the tape could not be located and Firestone refused to make its copy available.

About June 20, 1974, in the course of preparing for the transfer of historic papers concerning the invention to the University of Akron, General found its copy of the tape. That copy has been reproduced in cassette form and is attached to the back of this petition. General submits that the Court's playing of this three minute tape will aid materially in its determination whether to grant this petition.

**The License Issue.**

The Sixth Circuit held that General's patent covers the "tread portion of a pneumatic tire." General's Research Contract with the RFC, under which the Sixth Circuit held that Firestone obtained a free license to make such tires and treads, pertained only to reserach in the manufacture of synthetic rubber.

Despite the Sixth Circuit's own definition of General's patent as covering "tire treads," it held that the patent was within the license grant of General's Research Contract, which was *limited* to *synthetic rubber*, because the subject synthetic rubber was "suitable for use in tires."

This decision is far more than merely an erroneous construction of a Government contract in a manner contrary to the Government's contemporaneously expressed interpretation of the contract. (Petition, pp. 20, 24-25.) It is directly in conflict with the settled law enunciated by this Court in *Rubber Tire Wheel Co.* v. *Goodyear Tire & Rubber Co.*, 232 U. S. 413 (1914).

That decision holds that one who has a right to make, use, and sell an intermediate article of commerce which is suitable for use in combination with other ingredients to form another article of commerce does *not* thereby have a right to make, use, or sell the other article of commerce if it is patented. There, as here, the intermediate article of commerce was rubber and the other article was tires. The Sixth Circuit did not even refer to this important case, although it was heavily relied upon by the District Court, and by General during appeal.

In a decision reported April 15, 1974, after General had filed its petition for certiorari, *Rubber Tire Wheel* was again applied by the Cleveland District Court, this time by a different judge. (*Westwood Chemical, Inc.* v. *Molded Fiber Glass Body Co.*, 181 U. S. P. Q. 134.) *Westwood* was affirmed by the Sixth Circuit June 27, 1974, after denial of certiorari in this case.[3]

At pages 138-39 of *Westwood*, the district court discussed *Rubber Tire Wheel* in detail and properly applied it in the same way as did the district court in this case. In *Westwood* the intermediate article of commerce was a treated fiber glass. The court held that "when Molded Fiber Glass combines the treated fiber glass with other things in the manufacture of reinforced plastics, 'the trade right in the original part as an article of commerce is necessarily gone.' " As in *Rubber Tire Wheel*, the analogy to the present case is direct. The treated fiber glass of *Westwood* is the same as the treated rubber (oil extended)

3. The issue involving *Rubber Tire Wheel* was not appealed in *Westwood*, and consequently the Sixth Circuit's decision did not discuss the case.

of Firestone, and the reinforced plastics found unprotected in *Westwood* are the same as the tire tread of Firestone.

Thus, the Cleveland District Court has consistently and properly applied this Court's *Rubber Tire Wheel* decision, but in *Westwood* that application stands as the law in the Sixth Circuit, while in this case the same application stands reversed in the same circuit. This is just the type of confusion which we predicted in our petition would result if this Court failed to grant certiorari on this important and previously well-settled issue.

By ignoring the distinction between separate articles of commerce set out in *Rubber Tire Wheel*, the Sixth Circuit arrived at a license decision which is self-contradictory at its core. In treating the issue of validity, the Court properly defined the invention as "a tread portion of a pneumatic tire." (App. 29a.) For license purposes, however, the invention was suddenly metamorphosed to fit the Research Contract. There, the invention became "a general purpose synthetic rubber suitable for use . . . in tires . . ." (App. 36a).[4]

The only attempt to justify this unsupportable metamorphosis is Firestone's lame assertion that Government Research Contracts should be construed "liberally in favor of the Govern-

4. The Sixth Circuit also stated that the "invention is practiced commercially in the very synthetic rubber plants which the government built and as to one of which it hired General . . . as a research agent," and that "General claims that its patent applies when the invention is practiced in synthetic rubber plants." (App. 35a.) Both statements are *false*. Tire treads are made in tire factories, which were never part of the Government synthetic rubber program. Anyone who has seen and compared a tire factory with a synthetic rubber plant, as the District Court did and the Sixth Circuit did *not*, would immediately recognize that it is impossible to fabricate a tire or a tire tread in the pipelines or chemical reactors of a synthetic rubber plant. The "invention" is never practiced in a synthetic rubber plant and the output of Firestone's synthetic rubber plant is free of any patent claim by General. The following quote from General's main brief before the Sixth Circuit (p. 119) states:

> "Firestone is, and has always been, free to make high-Mooney synthetic rubber and oil and black masterbatches thereof at its synthetic rubber plants."

ment." We submit that the law demands rather that contracts be construed fairly, without bias toward either party. This question is currently before this Court in *Williams & Wilkins Company* v. *United States,* No. 73-1279, certiorari granted May 28, 1974.

Superficially, it may appear that the Sixth Circuit's decision that the Government had a free license was a victory for the public interest. In fact, the result was exactly the contrary.

The only persons entitled to a free use of General's invention under the Sixth Circuit's ruling are the Government's nominees. Some 14 companies were made nominees upon their purchase of Government-owned synthetic rubber plants in 1954-55, pursuant to the Rubber Producing Facilities Disposal Act of 1953. (App. 298a). The purpose of the nomination was to "assure to plant purchasers the patent rights and technical information necessary to continuance of operation" and "to establish plant purchasers on a sound technological footing *for the production of synthetic rubber.*"[5] Obviously, only synthetic rubber plant operators needed such rights.

Many nominees were chemical companies such as Shell, Phillips, Humble, and Standard. It happened, however, that Firestone and Goodyear, who were tire manufacturers as well as synthetic rubber manufacturers, also purchased Government synthetic rubber plants.[6] In their capacity as synthetic rubber plant purchasers, these companies were made nominees under General's synthetic rubber research contract, but not thereby under General's tire patent. This fact is apparent from the discussion of General's patent in the Fifth Report of the Attorney General on Competition in the Synthetic Rubber Industry, where the Attorney General stated that since General's patent covered only tire treads, any conflict with patent rights

5. RFC Report to the President and Congress on the "Program for Disposal to Private Industry of Government-owned Rubber-Producing Facilities." (March 1, 1953, emphasis added.)

6. Uniroyal and Goodrich formed joint ventures with Texaco and Gulf to purchase and operate synthetic rubber plants.

conveyed by the Government to synthetic rubber plant purchasers "has been averted." The Attorney General went on to state, however, that "Tire makers will now be foreclosed from purchasing and using such rubber for treads unless they enter license agreements and pay royalties to General."[7]

The above Attorney General's opinions show that the Government did not intend to give any nominee rights under tire patents. Certainly if it had, it would have handled the nominations differently. Phillips, for example, was a synthetic rubber plant purchaser and, as such, a nominee. It sold rubber to tire makers, but was not itself a tire maker. If tire-making patent rights were to be conveyed, they would have been conveyed to all plant purchasers, whether they made tires or only sold rubber to tire makers, yet there is no provision in Phillips' nomination for a license to Phillips' customers who made tires from its rubber.

Thus, Firestone's free right to practice General's patent is a result which was never intended by the Government and which is contrary to the Congressional policy, as expressed in the Disposal Act of 1953, which was to protect smaller businesses. (App. 313a).

Firestone has been spared millions of dollars in royalties, while, by the Sixth Circuit's decision, smaller independent companies such as Mohawk, Dunlop, Mansfield, Denman, Armstrong, Carlisle, Cooper, Gates, Hercules, Schenuit, and all new entrants to the tire manufacturing business either have paid or will have to pay royalties. It can hardly be said that this result is in the public interest. Rather, it is a windfall bestowed on Firestone by the Sixth Circuit, misled by Firestone's representations that such action would benefit the public.

General submits that this result would not have come about if the United States, whose rights have been determined by this decision, had been required to participate in the pro-

7. This statement is in complete accord with the holding in *Rubber Tire Wheel.*

ceedings, as General repeatedly sought below. In its petition for certiorari General suggested that it would be in order for this Court to request an *amicus* participation by the United States. When this was not done, and after certiorari had been denied, General asked the Solicitor General to review the petition and present the views of the United States in connection with General's petition for rehearing. This request was also denied, not on the merits, but because the Solicitor General said his office "rarely" participates as *amicus* in support of a petition in a private case. (See Exhibits A and B, attached).

General submits that the Executive branch of the United States named Firestone to its rights under General's Research Contract for the specific legislative purpose set out in the Disposal Act and in so doing was under a specifically-recited duty imposed on the President by Congress to protect small businesses. Having made these nominations, the Executive may not simply withdraw from the field and take the position that the dispute it precipitated is a "private" matter. As shown by the results of the Sixth Circuit's decision, this matter, involving a perversion of the legislative purpose and an expansion of rights beyond the Government's intent, is very much a public matter on which the Judiciary ought not act in the absence of participation by the Department of Justice. This Court can still remedy this inequity by dismissing Firestone's license defense for lack of standing or by remanding for participation by the Department of Justice.

**Conclusion.**

For the foregoing reasons, petitioner respectfully requests that this petition for rehearing be granted and that the Court grant a writ of certiorari, as requested, to review the decision of the United States Court of Appeals for the Sixth Circuit.

Respectfully submitted,

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Two First National Plaza,
Chicago, Illinois 60670,
*Counsel for Petitioner.*

CERTIFICATE OF COUNSEL.

I hereby certify that this Petition for Rehearing is presented in good faith and not for delay, and that this Petition is restricted to the grounds specified in Rule 58(2).

*Counsel for Petitioner*

EXHIBIT A.

June 14, 1974

Honorable Robert H. Bork
Solicitor General of the United States
Department of Justice
Washington, D.C. 20530

Dear Mr. Bork:

After meeting you and listening to you speak at the recent University of Chicago Law School Alumni Dinner and at the meeting of the Chicago Law Club, I appreciate the demands placed upon your office in representing the interests of the United States before the Supreme Court.

I am writing you because I am involved in a case which in my opinion requires your attention. It is *General Tire* v. *Firestone*, case number 73-1529, on which *certiorari* was denied June 3, 1974. A copy of the petition and answer is enclosed. You will note that I suggested in the petition (p. 29) that the Court request an *amicus* participation on behalf of the United States. This suggestion was not acted upon by the Court and consequently, I am contacting you directly to seek the Government's position in connection with a petition for rehearing which, if filed, must be filed by July 19, assuming a pending application for 21-day extension of time is granted.

I will not attempt to summarize our position, which is set out in the petition at pages 12-16 and 20-29. It is sufficient here to state that General, as a Government contractor, has been attempting for nearly 15 years to get the Government to state its position regarding what rights it claims under its contract with General. The result of the Government's failure to take any position has been to subvert the purposes of the Rubber Act of 1948 and the Rubber Producing Facilities Disposal Act of 1953 in which Congress charged the Executive

with the responsibility particularly to protect smaller companies. As a result of the decision of the Sixth Circuit herein, Firestone has been given free use of General's patent while all of the smaller rubber companies have to pay royalties under the patent.

After you have had a chance to read the petition, I request a meeting with you, not to argue what position the Government should take, but to discuss with you why we believe it is important to the public that you take a position in this case.

Very truly yours,

CHARLES J. MERRIAM

## EXHIBIT B.

Office of the Solicitor General
Washington, D. C. 20530

June 19, 1974

Charles J. Merriam, Esquire
Merriam, Marshall, Shapiro & Klose
Two First National Plaza
Chicago, Illinois 60670

Re: General Tire & Rubber Company v. Firestone Tire & Rubber Company (73-1529)

Dear Mr. Merriam:

This is in reply to your letter of June 14, 1974, urging the United States to support the petition for rehearing of the Supreme Court's denial on June 3, 1974, of the petition for certiorari in the above case.

The government almost never petitions for rehearing of a denial of certiorari in one of its own cases. Only rarely does it participate as *amicus* in support of a petition in a private case, and I know of no instance in which it has supported rehearing of a denial of certiorari in that situation. Where, as here, the government did not participate in support of the original petition, it would have to be an extraordinary situation before the government would get into the case for the first time at the rehearing stage. Whatever may be the merits of your position, this is not such a case.

In the circumstances, I do not believe that anything would be accomplished by a meeting to discuss the case.

Sincerely,

/s/ ROBERT H. BORK
Robert H. Bork
*Solicitor General*

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